

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 L-03 CIAE-00

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DRAFTED BY TREAS:RCFAUVER:JAE

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R 111636Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

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E.O. 11652:N/A

TAGS:

SUBJECT: MEDIUM-TERM OUTLOOK

FOR TREASURY ATTACHE FROM TREASURY

1. WE ARE ATTEMPTING TO APPRAISE THE LIKELIHOOD OF SYNCHRONIZED MOVEMENTS AMONG MAJOR WORLD ECONOMIES OVER MEDIUM-TERM (2-3 YEARS). OECD SHORT-TERM OUTLOOK (CPE(75)5) PROVIDES USEFUL REFERENCE FORECAST FOR THE NEXT YEAR BUT IT ASSUMES NO CHANGES IN GOVERNMENT POLICIES. PART OF THE ASSESSMENT INVOLVES EXTENT TO WHICH SIMILAR CONDITIONS WILL PREVAIL WITHIN ECONOMIES AND CONCOMITANTLY POSSIBILITY THAT POLICY SHIFTS IN DIRECTION OF STIMULATION WILL OCCUR SIMULTANEOUSLY IN NUMBER OF COUNTRIES.

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2. WE WOULD LIKE YOUR JUDGMENTS AS TO LIKELY GROWTH PATH FOR LOCAL ECONOMY OVER NEXT FEW YEARS -- TAKING INTO ACCOUNT PROSPECTIVE POLICY CHANGES. ALSO YOUR ASSESSMENT OF WHETHER POLITICAL SITUATION MIGHT MAKE IT LIKELY THAT IMPATIENCE WITH PACE OF RECOVERY (INFLATION, GROWTH, UNEMPLOYMENT) MAY RESULT IN ADOPTION OF EXCESSIVE REFLATIONARY POLICIES. IN OTHER WORDS, WHAT LIKELIHOOD IS THERE THAT EVENTS WILL LEAD TO PURSUIT OF STOP-GO POLICY ACTION IN 1976-77?

3. WE ARE PARTICULARLY CONCERNED WITH JUDGMENTAL INDICATIONS OF POLICY STANCES OVER MEDIUM-TERM, E.G., PATH OF RESPONSE TO EVENTS WHICH POLICY IS LIKELY TO TAKE. FOR EXAMPLE, HOW LONG WILL COUNTRY BE WILLING TO SIT TIGHT AND WAIT FOR EXPORT LED GROWTH? WHAT ARE LOCAL VIEWS REGARDING EXPORT LED GROWTH VERSUS DOMESTIC STIMULATION? DOES GOVERNMENT HAVE ANY ESTIMATES ON BENEFIT WHICH MIGHT BE RECEIVED DOMESTICALLY FROM, SAY, U.S. GROWTH OF 1 PERCENT? DOES TRADE BALANCE PROVIDE MUCH STIMULATION? IS EXPORT LED GROWTH FUNDAMENTAL ASPECT OF LOCAL RECOVERY PROGRAM?

4. TO THE EXTENT POSSIBLE WE WOULD LIKE GUESSES AS TO STATISTICAL RANGES FOR UNEMPLOYMENT, GROWTH AND PRICES. COULD REPORT ALSO SUMMARIZE ANY GOVERNMENT OR PRIVATE MEDIUM-TERM FORECASTS, GIVING KEY ASSUMPTIONS AS WELL AS DATA?

5. IF POSSIBLE, REPLY BY JUNE 18 WOULD BE APPRECIATED. KISSINGER

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